Southeastern Ohio Oil and Gas Association
Gas Committee Report
May, 2015

PRICING

Prices May 11, 2015

One Year NYMEX strip (June, 2015 – May, 2016)	$3.09
Summer NYMEX strip for 2015 (June-October)	$2.94
Winter NYMEX strip (Nov., 2015 – March, 2016)	$3.25
TCO Index Posting – May, 2015	$2.42
DTI Index Posting – May, 2015	$1.34

It appears that high storage levels combined with enhanced production capabilities and slow usage growth could keep gas prices from rising dramatically over the next couple of years.

GAS STORAGE AS OF THE May 7, 2015 Report

Working Gas in storage was 1,786 bcf as of Friday, May 1, 2015. At 1,786, total working gas is within the 5 year historical range.

	Stocks billion cubic feet (Bcf)			Year ago (05/01/14)		5-Year average (2010-2014)	
Region	**05/01/15**	**04/24/15**	**change**	**(Bcf)**	**% change**	**(Bcf)**	**% change**
East	628	597	31	392	60.2	789	-20.4
West	368	361	7	201	83.1	297	23.9
Producing	790	752	38	451	75.2	767	3.0
Salt	223	209	14	112	99.1	170	31.2
Nonsalt	567	543	24	339	67.3	597	-5.0
Total	**1,768**	**1,710**	**76**	**1,044**	**71.1**	**1,853**	**-3.6**

Storage is 41.2% full compared to normal as of this report, with normal total capacity of 4,336 at the start of the withdrawal season. Storage is 742 BCF above last year, and 67 BCF below the five year average.

Source: Form EIA-912, "Weekly Underground Natural Gas Storage Report." The dashed vertical lines indicate current and year-ago weekly periods.

<u>February 10, 2015 EIA Forecast for natural Gas Prices:</u>

According to the EIA, natural gas consumption will average of 74.3 Bcf per day in 2015, and 75.2 Bcf/d in 2016. The projected Henry Hub natural gas price averages $3.05/MMBtu in 2015 and $3.57/MMBtu in 2016.

<u>GATHERCO</u>

Chesapeake Utilities Corporation announced a Definitive Merger Agreement to acquire Gatherco, Inc.

On January 30, 2015, Chesapeake Utilities announced a merger agreement to acquire Gatherco, merging it into Aspire Energy of Ohio, LLC. A wholly-owned subsidiary of Chesapeake Utilities. It is expected to be completed in the second quarter of 2015.

The transaction has an aggregate value of approximately $59.2 million, inclusive of the following:

$49.8 million in exchange for all outstanding shares of Gatherco common stock, paid as follows:

593,005 shares of Chesapeake Utilities common stock, valued at $29.9 million, and

$19.9 million in cash (before payment of certain transaction expenses and escrow deposits);

$7.7 million in cash in consideration for cancellation of all outstanding Gatherco stock options; and

Assumption of Gatherco's debt at closing, estimated to be $1.7 million.

GATHERCO RETAINAGE

Retainage for February, 2015 is as follows for the Gatherco systems. Treat was 2.0%, Miley was 2.0%, Meigs was 2.0%, York was 2.0%, Grimes was 2.0%, and Elk was 2.0%.
March, 2015 retainage was not available as of the date of this report.

WEST VIRGNIA NEWS:

West Virginia appears to be close to landing a coveted ethane cracker plant to serve the Utica and Marcellus shale plays -- the sort of billion-dollar project coveted by Ohio economic development officials for some time.

West Virginia Gov. Earl Ray Tomblin and officials from Brazilian company Odebrecht stood shoulder to shoulder at a press conference recently, saying the company is looking at developing a cracker near Parkersburg across the Ohio River from Marietta.

The plant, which would separate ethane from natural gas, would be part of a petrochemical complex that would include three polyethylene plants and facilities for water treatment and energy cogeneration.

New Tank Regulations:

West Virginia has adopted some new tank regulations recently. The results and requirements of this new regulation was set out and explained in the latest SOOGA Newsletter, so please read it to familiarize yourself with these regulations if you have production in WV.

Tank Inspections are scheduled to be started this month.

UTICA NEWS:

NEW PIPELINES PROPOSED TO SPUR UTICA SHALE DRILLING IN OHIO

SUNOCO LOGISTICS PARTNERS, L.P.

Sunoco Logistics Partners L.P. announced on 11/6/2014 that it will build a huge pipeline project that will quadruple the Marcellus Shale gas liquids moving through the Philadelphia area called the Mariner East 2 project. It will be at least 16 inches in diameter, and begin in Scio, Ohio and cross West Virginia and Western Pennsylvania to the Philadelphia area. The pipeline will be 350 miles long, and is expected to deliver 275,000 barrels per day of natural gas liquids (NGL) to the Marcus Hook complex, and will begin operations by the end of 2016, subject to regulatory and permit approvals.

COLUMBIA PIPELINE GROUP:

Columbia Pipeline Group (CPG), a unit of NiSource Inc. (NYSE: NI), today announced a total of $1.75 billion in new investment in infrastructure that will enable it to transport up to 1.5 billion cubic feet per day (Bcf/D) of natural gas from Marcellus and Utica production areas to markets served by its Columbia Gas Transmission (Columbia Transmission) and Columbia Gulf Transmission (Columbia Gulf) pipeline systems. The proposed Ohio and West Virginia pipeline, known as Columbia Transmission's Leach XPress project, is supported by long-term firm service agreements with Range Resources - Appalachia, LLC, Noble Energy, Inc., Kaiser Marketing Appalachian, LLC and American Energy Utica - LLC. The project, which involves construction of approximately 160 miles of pipeline, compression and related facilities on Columbia Transmission's system, will provide access to multiple Marcellus and Utica receipt points and establish a substantial new header system serving the heart of the Appalachian supply basin

DUKE ENERGY:

Duke Energy and Piedmont Natural Gas today announced the selection of Dominion to build and operate a 550-mile interstate natural gas pipeline from West Virginia, through Virginia and into eastern North Carolina to meet the region's rapidly growing demand for natural gas. The pipeline has an estimated cost of between $4.5 billion and $5 billion, an initial capacity of 1.5 billion cubic feet of natural gas per day, and a target in-service date of late 2018. Gas will be carried through a 42-inch-diameter pipe in West Virginia and Virginia, and a 36-inch-diameter pipe in North Carolina. The pipeline's main customers are six utilities and related companies that collectively will purchase a substantial majority of the pipeline's capacity to transport natural gas – Duke Energy Carolinas, Duke Energy Progress, Virginia Power Services Energy, Piedmont Natural Gas, Virginia Natural Gas, and PSNC Energy.

SPECTRA ENERGY:

Spectra Energy, along with two other companies, are proposing a new 250 mile 36" pipeline, Nexus Gas Transmission, for transporting gas from shale drilling in eastern Ohio to Detroit and southern Ontario, subject to FERC approval. The anticipated cost of this new pipeline is $1.5 billion, and could be in service as early as November, 2016. The proposed pipeline will run from Carroll County. Ohio, to Detroit and southern Ontario.

AMERICAN ENERGY/REGENCY ENERGY PARTNERS

American Energy and Regency Energy Partners are planning a $500 million pipeline to move American Energy's Utica shale gas to major pipelines like Rockies Express and Tesas Eastern that service Texas, Colorado, and states along the nation's southeastern rim. The 52 mile system will deliver more than 2 BCF per day of gas supply. It is expected to be completed in the third quarter of 2015.

ENERGY TRANSFER

A second interstate pipeline is being planned to shop natural gas from the Utica and Marcellus Shale regions across Stark County. The planned Rover Pipeline would carry up to 3.25 BCF of natural gas per day from West Virginia, Pennsylvania, and Ohio. In total, the Rover mainline will include 380 miles of 36 inch and 43 inch diameter pipe and five compressor stations, plus 197 miles of supply laterals ranging in diameter from 24 to 47 inches.

DOMINION EAST OHIO:

Blue Racer Midstream has finalized a new agreement for liquids uplift for producers on the DEO Guernsey/Cambridge gathering system for conventional production. The new agreement will be an amendment to the original HCA agreement. More details will be available later.

MIDSTREAM/PROCESSING NEWS:

Pinto Energy is looking to build a 2,800 bbl/day gas to liquids pant east of Ashtabula, Ohio. It will produce high quality synthetic liquids as well as lubricants, waxes and solvents from gas being produced by the Utica and Marcellus formations.

Utica East Ohio (UEO), a joint venture by Access Midstream, M3, and EV Energy Partners, became the first fully integrated gathering, processing, and fractionation complex to be put into operation on July 28th. in Eastern Ohio. This initial phase of the UEO project is capable of processing 220-million cubic feet per day at their cryogenic processing facility near Kensington, and is processing 45,000 barrels per day of natural gas liquids at their fractionation, storage and rail facility new Scio.

The second phase is under construction and scheduled to be completed in December, 2014 with a third phase to follow. When complete, the UEO project will have 800 million cubic feet per day of cryogenic processing, 135,000 barrels per day of natural gas liquids fractionation, 870,000 barrels per day of natural gas liquids fractionation, 870,000 barrels of gas liquids storage and a rail facility capable of loading 90 cars per day.

Hickory Bend Project, the NiSource and Hilcorp natural gas processing project, has announced the construction of a $60 million pipeline to move natural gas liquids from their cryogenic natural gas processing plant in Springfield Township to attractive market destinations. Pennant Midstream will construct the 12 inch 38 mile pipeline. I will have the capacity to deliver up to 90,000 bbls. of NGS per day to a Utica East Ohio pipeline in Columbiana County, and from there be transported to the fractionator in Harrison County. It is expected to be complete by July, 2014

Appalachian Resins announced that it will build a $1 billion facility in Monroe County that will be able to process approximately 18,000 barrels per day of ethane into ethylene and polyethylene, the feedstock for plastic and many other items we use in our daily lives. The facility is expected to begin operating in early 2019 and will produce 600 million pounds of ethylene/polyethylene per a year. This new feedstock has the potential to reinvigorate the manufacturing sector in the region, which will, in turn, increase investment and jobs in the Ohio Valley.

For more information, click on this link; **http://energyindepth.org/ohio/new-natural-gas-plant-up-and-running-in-eastern-ohio/**

Utica Facts and Numbers:

The Utica gas production has been added to the Energy Information Agency's Monthly Drilling Report as of August, 2014. Since January 2012, production has increased from 155 million cubic feet per day (MMcf/d) to approximately 1.667 billion cubic feet per day (Bcf/d). Utica's production per rig has also steadily improved.

Horizontal wells in the Utica shale in the eastern part of the state produced more natural gas the second quarter than all of the Ohio wells combined in 2012, reports the Ohio Department of Natural Resources.

Fourth Quarter Production Results:

Production from horizontal oil and gas wells across the state was 49% higher during the third quarter compared to the second quarter, according to a newly released report from the Ohio Department of Natural Resources. Horizontal shale wells in Ohio produced 3,558,836 barrels of oil and 164.8 billion cubic feet of natural gas during the fourth quarter ending 12/31/2014, ODNR said.

Utica wells each produced an average of 4,471 barrels of oil and 195 million cubic feet of natural gas, ODNR said. Production periods ranged from one to 92 days, with an average well production period of 75 days.

The highest-producing oil well in the state was Pittsburgh-based CNX Gas Co.'s Reserve Coal Properties Co. well in Noble County, ODNR reported, with 50,159 barrels of oil over 86 days of production.

Denver-based Antero Resources' Gary 3H well in Monroe County produced the most natural gas, 1.7 billion cubic feet during 90 days, and is thus by far the biggest producing natural gas well on record in Ohio, according to ODNR data.

AS of May 2, 2015, there have been 1,917 Utica Shale permits issued in 23 counties in Ohio to 29 companies, and 1,466 of them have been developed. The counties are listed below.

Ashland, Belmont, Carroll, Columbiana, Coshocton, Geauga, Guernsey, Harrison, Holmes Jefferson, Knox, Mahoning, Medina, Monroe, Muskingum, Noble, Portage, Stark, Trumbull, Tuscarawas, Washington, and Wayne.

There are currently 861 Utica Shale wells in production, with 29 rigs running.

MARCELLUS SUPLY UPDATE:

It has been reported by the EIA that the Marcellus Shale gas has hit 15 BCF per day in July, 2014.